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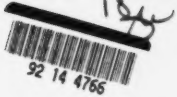

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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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(Mark One)

__X__ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended March 31, 1992

OR

_____ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from _____ to _____

Commission File Number 1-10361

NDE ENVIRONMENTAL CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	95-3634420
(State of Incorporation)	(IRS Employer Identification No.)

BEST COPY AVAILABLE

20000 Mariner Avenue, Suite 500, Torrance, California 90503
(Address of Principal Executive offices) (Zip Code)

Registrant's telephone number, including area code (310) 542-4342

Indicate by check-mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past ninety days.

YES _X_ NO ____

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at April 30, 1992
Common	4,719,415 shares

This report consists of 18 sequentially numbered pages.

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ITEM 1. Financial Information

NDE ENVIRONMENTAL CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	March 31, 1992	December 31, 1991
CURRENT ASSETS	(Unaudited)	
Cash	$326,821	$644,372
Trade accounts receivable, less allowance for doubtful accounts of $362,545 in 1992 and $319,810 in 1991	1,483,807	1,852,597
Inventories	347,041	309,452
Prepaid expenses and other current assets	242,714	216,323
Total Current Assets	2,400,383	3,022,744
NOTE RECEIVABLE FROM OFFICER	70,000	70,000
EQUIPMENT AND IMPROVEMENTS, net of accumulated depreciation of $1,706,266 in 1992 and $1,473,542 in 1991 (Note 2)	4,157,068	4,331,044
COST in excess of fair value of assets acquired, net of accumulated amortization of $218,299 in 1992 and $176,299 in 1991	3,197,182	3,239,182
PATENTS, net of accumulated amortization of $65,800 in 1992 and $59,305 in 1991	256,077	262,572
DEPOSITS	54,102	52,043
	$10,134,812	$10,977,585

See Notes to Condensed Consolidated Financial Statements

NDE ENVIRONMENTAL CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	March 31, 1992	December 31, 1991
	(Unaudited)	
CURRENT LIABILITIES		
Accounts payable	$1,360,440	$1,898,694
Accrued compensation payable to officers	35,564	35,564
Accrued liabilities	589,351	267,978
Accrued payroll and payroll taxes	115,045	48,698
Current maturities of notes payable and long-term debt (Note 3)	605,000	708,712
Current portion of capital lease obligation	74,659	93,528
Accrued restructuring costs	1,324,013	1,806,305
Total Current Liabilities	4,104,072	4,859,479
Liability to former stockholder	84,490	84,490
Notes payable and long-term debt	9,431	9,431
Capital lease obligation, less current portion	228,639	234,062
Advance from investors (Note 3)	1,150,000	---
Commitments and contingencies		
Subsequent event (Note 5)		
Stockholders' Equity (Notes 4 and 5):		
Series B Convertible Preferred stock, $.0001 par value; authorized, 1,000 shares; issued and outstanding 550 shares stated at liquidation value of $5,000 per share	2,750,000	2,750,000
Series A Convertible Preferred stock, $.0001 par value; authorized, 1,275 shares; issued and outstanding 1,212.75 shares stated at liquidation value of $5,000 per share	6,063,750	6,063,750
Common stock, $.0001 par value; authorized, 15,000,000 shares; issued and outstanding 4,576,915 in 1992 and 4,576,915 in 1991	458	458
Additional paid-in capital	11,040,221	11,040,221
Retained deficit	(15,296,249)	(14,064,306)
Total Stockholders' Equity	5,708,180	5,790,123
	$10,134,812	$10,977,585

See Notes to Condensed Consolidated Financial Statements

NDE ENVIRONMENTAL CORPORATION AND SUBSIDIARY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,	
	1992	1991
REVENUES		
Testing services and equipment sales	$1,416,923	$689,746
Royalties	4,035	16,066
Interest	537	20,061
Other	--	14,805
	1,421,495	740,678
COSTS AND EXPENSES		
Cost of Sales and Testing Services	1,352,097	857,131
Selling, General and Administrative	1,284,341	834,879
Research & Development	--	131,636
Interest	17,000	6,273
	2,653,438	1,829,919
NET LOSS	($1,231,943)	($1,089,241)
NET LOSS PER SHARE	($0.27)	($0.44)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	4,576,915	2,476,815

See Notes to Condensed Consolidated Financial Statements

NDE ENVIRONMENTAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended March 31,	
	1992	1991
Operating activities		
Net loss	($1,231,943)	($1,089,241)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	232,724	144,585
Amortization of intangibles	48,495	13,995
Provision for doubtful accounts	42,735	--
Changes in operating assets and liabilities:		
Decrease (Increase) in trade receivables	326,055	(61,709)
(Increase) in inventories	(37,589)	(311,819)
(Increase) in prepaid expenses	(26,391)	(92,078)
(Increase) in other assets	(2,059)	
(Decrease) Increase in accounts payable and accrued expenses	(216,881)	2,412
Increase in accrued compensation payable to officers	--	7,000
Increase in accrued payroll and accrued payroll taxes	66,347	1,194
(Decrease) in accrued restructuring costs	(482,292)	
Net cash used in operating activities	($1,280,799)	($1,385,661)

NDE ENVIRONMENTAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three Months Ended March 31,	
	1992	1991
Investing activities		
Additions to equipment and improvements and software	($62,642)	($87,520)
Proceeds from sale of equipment	3,894	--
Loans/advances to officers	--	(4,744)
Net cash used in investing activities	($58,748)	($92,264)
Financing activities		
Proceeds from advance from investors	1,150,000	--
Proceeds from issuance of notes payable	250,000	--
Principal payments under note and capital lease payable	(378,004)	(83,822)
Net cash provided by financing activities	1,021,996	(83,822)
Net (decrease) in cash	(317,551)	($1,561,747)
Cash and cash equivalents at beginning of year	644,372	2,417,282
Cash and cash equivalents at end of year	$326,821	$855,535
Supplemental disclosure of cash flow information		
Cash paid during the year for:		
Interest	$10,056	$6,273
Income taxes	--	--

Non-cash transactions:
During the three months ended March 31, 1991 the Company issued a $275,000 dividend in the form of 55 shares of Series "A" Preferred Stock.

See accompanying notes

NDE ENVIRONMENTAL CORPORATION AND SUBSIDIARY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE 1 ACCOMPANYING UNAUDITED FINANCIAL STATEMENTS

Basis of Presentation: The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial reporting and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and disclosures required for complete financial statements.

In the opinion of the Company, the accompanying unaudited financial statements for the three months ended March 31, 1992 and 1991 contain all adjustments, consisting of only normal recurring accruals, necessary to present fairly the financial position of the Company as of March 31, 1992 and 1991 and the results of operations and cash flows for the three months then ended.

For further information refer to the financial statements and footnotes included in the Company's annual report on Form 10-K for the year ended December 31, 1991.

Certain amounts shown in the 1991 financial statements have been reclassified to conform to the 1992 presentation.

Principles of Consolidation: The condensed consolidated financial statements include the accounts and operations of NDE Environmental Corporation ("NDE Environmental") and its wholly-owned subsidiary, NDE Testing & Equipment, Inc. ("NDE Testing"). All significant intercompany accounts have been eliminated in consolidation.

Inventories: Inventories consist principally of operational supplies used by the Company in the performance of testing services or the maintenance of its testing equipment and are valued at lower of cost (first in, first out) or market.

Results of Interim Periods

The results of operations for the Company's interim periods are not necessarily indicative of the results to be expected for the entire year.

NOTE 2 Equipment and Improvements: Equipment and improvements, including capital leases, are stated at cost. Depreciation is computed on the straight-line method over the estimated useful lives of the assets of between three and five years. Capital leases and leasehold improvements are amortized over the shorter of; the estimated useful lives, or the term of the leases, using the straight-line method. Amortization of capital leases is included in depreciation expense.

Equipment and improvements consist of the following:

	March 31, 1992	December 31, 1991
Proprietary Test Equipment	$5,047,596	$5,032,126
Vehicles	485,785	485,785
Furniture and Fixtures	275,740	232,462
Leasehold Improvements	54,213	54,213
Total	5,863,334	5,804,586
Less: Accumulated Depreciation and amortization	1,706,266	1,473,542
Net Equipment and Improvements	$4,157,068	$4,331,044

NOTE 3 ADVANCES FROM INVESTORS

The Company is negotiating an agreement clarifying the status of $1,400,000 received by the company from a group of investors during the quarter ending March 31, 1992 (Note 2 in the Company's annual report on Form 10-K for the year ended December 31, 1991 and Item 5. of this report). The cash represented a $1,150,000 advance for a future equity infusion from a group of investors lead by Spears Benzak Salomon & Farrell (SBSF), and a 60 day note payable due April 30, 1992 for $250,000 from Proactive Partners. Under the terms of a Proposed Financing being negotiated with SBSF, Proactive Partners and other investors, this advance and note, together with an additional note payable to SBSF in the amount of $250,000 for funds advanced in 1991 would be converted into equity securities of the Company, see part II, Item 5 of this Quarterly Report on Form 10-Q. There can be no assurance that the Proposed Financing will be consummated.

As of March 31, 1992, the Company has shown $1,150,000 of the amounts received as an advance from investors. The $500,000 of notes payable to be converted to BBB Preferred are shown as part of the $605,000 notes payable outstanding at March 31, 1992.

NOTE 4 Proposed Financing

The Company is negotiating a series of proposed agreements to provide a cash infusion to the Company. The Proposed Financing is referred to in Part II, Item 5.

If the proposed financing is consummated, it will significantly dilute the interest of the current common shareholders on a fully diluted basis.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

NDE Environmental Corporation (the "Company") provides services for detecting leaks in underground storage tanks ("USTs") and associated piping ("lines").

The Company's principal leak detection technology has traditionally been its VPLT System, a precision tank testing system based on measurements of volume, pressure, level and temperature. In mid-1991, the Company introduced the NDE UTS-4T Tank Test System, an expanded system for precision testing of the unfilled tank and line area. The NDE UTS-4T System permits testing with the same high degree of accuracy as the VPLT System but without having to incur the cost and delay of adding and mixing liquids. Both systems, which are marketed together as the NDE 1000 System, have been certified by independent laboratories as meeting Environmental Protection Agency ("EPA") regulations for testing USTs containing gasoline, oil and other hazardous materials.

Results of Operations

The Company had a net loss of $1,231,943 for the three months ended March 31, 1992 compared to a net loss of $1,089,241 for the three months ended March 31, 1992. An explanation of the variance between periods for each of the major categories follows.

The following table reflects the percentage relationship to net sales of certain items included in the company's statement of operations for each of the three month periods ended March 31, 1992 and March 31, 1991.

	March 31, 1992	March 31, 1991
Revenues	100%	100%
Costs and Expenses		
Cost of Sales and Testing	95%	116%
Selling, General and Administrative	91%	113%
Research and Development	---	18%
Interest	1%	---
Total Costs and Expenses	187%	247%
Net Loss	(87)%	(147)%

The following table shows the dollar and percent change from the three months ended March 31, 1991 as compared to the three months ended March 31, 1992.

	Increase (Decrease) $	Increase (Decrease) %
Revenues	$680,817	92%
Costs and expenses		
Cost of Sales and Testing	494,966	58%
Selling, General and Administrative	449,462	54%
Research and Development	(131,636)	100%
Interest	10,727	171%
Total Costs and Expenses	$823,519	45%
Net Loss	$142,702	13%

Revenues

Revenues for the three months ended March 31, 1992 were $1,421,495 an increase of $680,817 or 92% compared to the three months ended March 31, 1991. The increase was due to the expansion in 1991 of the Company's fleet of testing vehicles and testing personnel as a result primarily of the acquisition of assets from Kaneb Metering Corporation (KMC) in April 1991. In addition, average pricing for testing services increased in the first quarter of 1992 as compared to the first quarter of 1991.

The Company increased its testing and parts sales by $727,177 or 105% in the first quarter of 1992 compared to the first quarter of 1991. This was due primarily to the factors referred to immediately above.

The Company had a decrease in royalty income of $12,031 or 75% in the first quarter of 1992 compared to the first quarter of 1991. The Company generates the majority of its revenue from directly providing services to customers and has decreased the use of licensees to provide services. Other revenue decreased in the first quarter of 1992, $14,805 or 100% compared to the first quarter of 1991 as the Company phased out research and development activity which previously generated small amounts of specialized consulting services.

Interest income decreased $19,524 or 97% in the first quarter of 1992, compared to the first quarter of 1991 primarily due to reduced cash balances.

Cost of Sales and Testing

Cost of sales and testing for the three months ended March 31, 1992 was $1,352,097 an increase of $494,966 or 58% compared to the three months ended March 31, 1991. The acquisition of additional testing assets and personnel and the increased revenue activity referred to above were primarily responsible for the increased costs. The margin between sales and cost of sales and testing was a positive $69,398 for the first quarter of 1992, compared to a negative $116,453 for the first quarter of 1991.

The Company proceeded with a major restructuring program during the first quarter of 1992. This restructuring, described footnote 2 of in the financial statements included in the Company's Annual Report on Form 10-K, was carried out during the traditionally slowest period for tank testing. Even though the costs of restructure were accrued for in 1991, the disruption still has an adverse effect on the Company's ability to perform efficiently.

In April 1992, the Company decreased its operations workforce and vehicles in service in order to lower costs and raise the current utilization of its active testing vehicles.

Selling, General & Administrative

Selling, general & administrative expenses for the three months ended March 31, 1992 were $1,284,341, an increase of $449,462 or 54% compared to the three months ended March 31, 1991. The increase was due primarily to the expansion of business activity resulting from the acquisition of KMC assets in April 1991. As noted above, the restructuring activities had an effect on the efficiency of the Company during the first quarter of 1992. In April 1992, the Company reduced its selling and administrative workforce by an additional 10%.

Research & Development

The Company had no research and development cost in the first quarter of 1992 because the company conducted no research and development activities during the first quarter. As part of its restructuring plan, the Company decided to eliminate the in-house research and development activity and to concentrate on current operational activity. In the first quarter of 1991, the Company's research and development costs were $131,636.

Interest Expense

Interest expense for the three months ended March 31, 1992 was $17,000, an increase of $10,727 or 171% compared to the three months ended March 31, 1991. The increase is due to increased borrowings in the first quarter of 1992 compared to the comparable quarter in 1991.

LIQUIDITY AND CAPITAL RESOURCES

Since inception, the Company has financed its operations through the sale of debt and equity securities, trade credit and revenue from operations, including the sale of licenses. Of material impact to the Company's liquidity and capital resources were the $1,400,000 in financing received in March 1992 (see Note 3 and 4), the private placement of $2,750,000 of the Series B Stock and warrants in November 1991, the $1,600,000 in short term note financing in August through October 1991 (of which $1,000,000 was exchanged for Series B Stock), the acquisition of Kaneb's Underground Storage Tank testing assets, along with $3.5 million in cash, in April 1991, the sale for $5.5 million of the Series A Preferred in July 1990, and the Company's initial public offering in October 1989. The Company has used the funds described above for the acquisition of its subsidiary in March 1990, and for the operations of the business.

At the end of 1991, the Company had a working capital deficit of $1,836,735. At March 31, 1992 the Company had a working capital deficit of $1,703,689. The Company has not yet generated positive cash flow from operations. Accordingly, the Company depends upon financing from investors to supplement its operational cash flows until such time that it can generate sufficient cash flows from operations to meet its continuing costs. As of the date of this report, the Company, as indicated in notes 3, and 4 of the accompanying financial statements and in item 5 of this Quarterly Report on Form 10-Q, is negotiating a series of transactions which, if consummated, will result in additional capital to be received by the Company and will also result in, among other things, the issuance by the Company of securities that will be severely dilutive to the interest of the Company's existing security holders. If consummated along the lines of the current negotiations, the proposed financing would result in the holders of the Company's existing and/or newly issued Preferred Stock having the right to elect the majority of the Company's directors. If the proposed financing agreements are not promptly entered into, the Company will not be in a position to meet its current and continuing obligations and will likely be required to cease those operations. If the proposed financing agreements are promptly entered into, certain of the transactions will be conditioned upon approval by the Company's stockholders. Without such stockholder approval, the Company will be obligated to repay promptly the new capital it will have received, and it is not anticipated that the Company will be in a position to do so. Assuming that the required stockholder approval is obtained, the Company will have sufficient capital reserves to continue operations in the near term, but its ability to operate on a sustained basis will depend upon whether it achieves positive cash flow from continuing operations and may also depend upon obtaining further financing.

PART II. OTHER INFORMATION

ITEM 2: Changes in Securities

See Item 5: Other Information

ITEM 3: Defaults Upon Senior Securities

In the course of the first quarter and at present the Company is not in compliance with all of the obligations of certain of its debt securities, but the Company is negotiating that these securities will be exchanged for other securities that are not in default of certain financing arrangements, are entered into as currently proposed. See Item 5: Other Information

ITEM 5: Other Information

Negotiations Regarding New Financing

The Company is presently engaged in negotiations regarding the terms of a proposed new financing (the "Proposed Financing") with Josephthal Lyon & Ross ("Josephthal"), Spears Benzak Salomon & Farrell ("SBSF") and Proactive Partners, L.P. ("Proactive") and persons represented by them. The predecessor of Josephthal was the lead underwriter in the Company's initial public offering, and Josephthal and certain persons represented by Josephthal hold certain warrants issued by the Company to Josephthal's predecessor in that offering, the exchange of which for new warrants is currently contemplated (see "Warrant Exchange" below). SBSF and persons represented by SBSF together hold all of the outstanding shares of the Company's Series A Convertible Preferred Stock, as well as a substantial number of the outstanding shares of the Company's Series B Convertible Preferred Stock and Common Stock, and certain warrants. Proactive and persons represented by Proactive hold the majority of the outstanding shares of the Company's Series B Convertible Preferred Stock and hold certain warrants issued by the Company. The holdings of these persons are as set forth in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 1991 filed with the Securities and Exchange Commission (the "1991-10-K").

A number of material terms of the Proposed Financing have not yet been determined, and no agreements with respect to the Proposed Financing have been reached. If consummated along the lines of the current negotiations, the Proposed Financing would involve a change of control of the Company so that a majority of the Board of Directors would no longer be elected by the Common stockholders, but would be elected by the holders of the Company's existing Preferred Stock to be created as part of the Proposed Financing. In addition, the Proposed Financing would be severely dilutive to existing stockholders.

It is anticipated that consummation of the Proposed Financing would be conditioned on the Company's resolution of a number of outstanding matters. One of these matters is settlement with John R. Mastandrea, the Company's current Chairman and a director. Certain preliminary settlement arrangements with Mr. Mastandrea were described in the 1991 10-K. Since the date of the 1991 10-K, the Company and Mr. Mastandrea have negotiated different settlement arrangements. Whether or not these arrangements are finalized may depend on what arrangements, if any, are agreed upon for the Proposed Financing.

Consummation of the Proposed Financing would also be contingent upon (a) working our arrangements for converting into other securities of the Company the Company's existing indebtedness of over $1,650,000 for funds advanced in 1992 and late 1991 by Proactive, SBSF and certain investors represented by SBSF and (b) settling the existing dispute with Josephthal and other holders of warrants issued by the Company in 1989 as to the effect of the antidilution provisions of those warrants. These matters are referred to in the 1991 10-K.

Under the terms of the Company's Series A Convertible Preferred Stock and Series B Convertible Preferred Stock, the holders of the outstanding shares of such stock have the right to declare a "voting default" which would permit them to elect a majority of the members of the Company's Board of Directors. As of the date of this report, the holders have not exercised that right. As indicated above, it is likely that the Proposed Financing, if consummated along the lines of the current negotiations, would redetermine the right of the Company's security holders to elect members of the Company's Board of Directors.

Cancellation of Certain Royalty and Other Obligations

The arrangements with the "ATTS Shareholders" and "NAESS" described in Item 1 of the 1991 10-K have not yet been consummated as the Company has not yet made full payment as required by these arrangements.

ITEM 6: Exhibits and Reports on Form 8-K

(a) The following exhibits are filed herewith:

None.

(b) The Company filed no reports on Form 8-K during the three months ended March 31, 1992.

NDE ENVIRONMENTAL CORPORATION AND SUBSIDIARY

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed off on its behalf by the duly authorized undersigned.

NDE ENVIRONMENTAL CORPORATION
(Registrant)

Date: May 14, 1992

Jay Allen Chaffee
President, Chief Executive Officer

Date: May 14, 1992

Joseph E. McCarthy
Chief Financial Officer and Secretary

NDE ENVIRONMENTAL CORPORATION AND SUBSIDIARY

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed off on its behalf by the duly authorized undersigned.

NDE ENVIRONMENTAL CORPORATION
(Registrant)

Date: May 14, 1992

/s/ Jay Allen Chaffee
Jay Allen Chaffee
President, Chief Executive Officer

Date: May 14, 1992

/s/ Joseph E. McCarthy
Joseph E. McCarthy
Chief Financial Officer and Secretary